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MAR 13, 2017 @ 05:04 PM

## Obamacare Repeal and Replace Bill Cuts Taxes by Nearly \$1 Trillion

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The official score of the American Health Care Act (AHCA) was released today by the Congressional Budget Office (CBO). It's a net spending cut of over \$1.2 trillion and a net tax cut of nearly \$900 billion over the next decade. It reduces the debt and deficits by over \$300 billion in that time.

As expected, the score shows that the AHCA would be a large and permanent tax cut for families and employers. Below are some preliminary thoughts:

- The net tax cut in the bill is \$882.8 billion over the 2017-2026 period. This should lower the tax revenue baseline considerably, perhaps even by half a percentage point of the economy
- The most pro-growth tax cut in the bill is the elimination of the so-called "NIIT" or "net investment income tax." It adds on a 3.8 percentage point surtax on savers and investors. By eliminating NIIT, the bill cuts the capital gains and dividends tax from 23.8 percent in 2017 to 20 percent in 2018 and beyond. And that's before we do tax reform
- The taxes associated with Obamacare's individual and employer mandates are zeroed out
- The medicine cabinet tax, the high medical bills tax, the tanning tax, and the various taxes on health savings accounts (HSAs) and flexible spending accounts (FSAs) are all gone

- For workers and small business owners, the new Medicare payroll tax bracket of 3.8 percent is eliminated forever. Medicare payroll tax will again be a flat 2.9 percentage points for all wages and self-employment income
- The contribution limit to HSAs is doubled, from nearly \$7000 for families today to \$14,000 starting in 2018

One item of note: the bill as a whole is a net deficit reducer of \$337 billion. The tax relief described above begins in 2018. They could move that tax relief date to the beginning of 2017--this year, immediate, and retroactive--and it would only subtract about \$50 billion from that amount. At a time when leadership is looking to give conservatives a reason to get on board this bill, a permanent and retroactive cut in the capital gains tax (for example) is not a bad inducement.

Conservative detractors from this bill have every right to their own opinions, but they are irresponsible in my view to argue that this bill isn't conservative. It cuts taxes by nearly \$1 trillion over the next decade. It cuts spending by over \$1.2 trillion over the next decade. You can argue whether a bill goes far enough to repeal Obamacare, or that it gets various details wrong. But you really can't argue such a bill isn't conservative.